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COLUMBIA | GREENVILLE

September 28, 2005

VIA EMAIL & HAND DELIVERED

Mr. Charles Terreni
Chief Clerk of the Commission
Public Service Commission of South Carolina
Synergy Business Park, Saluda Building
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Columbia, SC 29210

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SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

**Re: Generic Proceeding to Explore a Formal Request for Proposal
Process for Utilities that are Considering Alternatives for Adding
Generating Capacity
Docket No. 2005-191-E**

Dear Mr. Terreni:

Enclosed for filing on behalf of NewSouth Energy, LLC please find the testimony of Timothy Eves and David E. Dismukes. By copy of this letter we are serving the same on other parties of record. Please stamp the extra copy of this letter and return it with our courier as proof of filing. Should you have any questions, please have someone on your staff contact me.

Yours truly,

ROBINSON, MCFADDEN & MOORE, P.C.

Frank R. Ellerbe, III

/bds

enclosures

cc/enc:

Len S. Anthony, Esquire (via email & U.S. Mail)
Kendal Bowman, Esquire (via email & U.S. Mail)
Richard L. Whitt, Esquire (via email & U.S. Mail)
Kevin A. Hall, Esquire (via email & U.S. Mail)
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Belton T. Zeigler, Esquire (via email & U.S. Mail)
Shannon B. Hudson, Staff Attorney (via email & U.S. Mail)
Dan F. Arnett, Chief of Staff of ORS (via email & U.S. Mail)
Ms. Daphne Duke (via email)

**BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION
DOCKET NO. 2005-191-E**

In re:

**Generic Proceeding to Explore a
Formal Request for Proposal Process
for Utilities That Are Considering
Alternatives for Adding
Generating Capacity**

SC PUBLIC SERVICE
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**DIRECT TESTIMONY
OF
TIMOTHY EVES
ON BEHALF
OF
NewSouth ENERGY LLC**

SEPTEMBER 28, 2005

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Timothy R. Eves. I am employed by NewSouth Energy LLC as Vice
3 President of Marketing and Sales. My business address is 191 Peachtree St,
4 NE, Suite 3800, Atlanta, Georgia 30303.

5

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
7 **PROFESSIONAL EXPERIENCE.**

8 A. After receiving my Bachelor of Mechanical Engineering degree in 1979, I spent
9 nearly 20 years in the power generation division of Westinghouse Electric
10 Corporation, in sales and marketing roles. During that time I completed my
11 studies for a Masters of Business Administration and a Juris Doctorate degree. I
12 joined Calpine Corporation in 1999, after a short tenure at BBI Power
13 Corporation. In December 2004, the Calpine Corporation created NewSouth
14 Energy LLC, at which time I was appointed to my current position. More details
15 about my educational background and professional experience are included in
16 Appendix 1 to my testimony.

17

18 **Q. ON WHOSE BEHALF DO YOU TESTIFY?**

19 A. My testimony is offered on behalf of NewSouth Energy, LLC ("NSE") and its
20 related Calpine affiliates doing business within the South Carolina service
21 territory.

22

23 **Q. PLEASE DESCRIBE YOUR CURRENT ROLE WITHIN NSE.**

1 A. In my capacity as Vice President Marketing and Sales, I am responsible for
2 managing NSE's efforts in the marketing and sale of power generation products
3 (capacity and energy) within the Southeastern United States, including South
4 Carolina. Included in my direct responsibilities is the management of all NSE
5 responsive offerings to Requests for Proposals ("RFPs") issued by power
6 companies across the Southeastern United States. I have been actively involved
7 in NSE/Calpine's efforts across the Southeast advocating competitive wholesale
8 electric power procurement processes for capacity and energy.

9
10 **Q. PLEASE DESCRIBE NSE'S GENERAL BUSINESS INTERESTS.**

11 A. NSE is an indirect subsidiary of Calpine Corporation. It was created in
12 December 2004 to focus exclusively on selling wholesale power to customers
13 across the Southeast who in turn resell that power to their retail customers. NSE
14 is headquartered in Atlanta, Georgia with offices in Tampa, Florida; Flora,
15 Mississippi; and Houston, Texas. NSE has 14 employees and represents over
16 6000 MW of Calpine-owned generation located in the Southeast. The
17 transactions completed by NSE are based on Calpine-owned generating assets.
18 NSE does not enter into any speculative power supply transactions.

19
20 **Q. PLEASE DESCRIBE CALPINE'S GENERAL BUSINESS INTERESTS.**

21 A. Founded in 1984, Calpine Corporation is a publicly traded competitive wholesale
22 power provider. Through its subsidiaries, Calpine builds, owns and operates
23 power generation facilities and provides reliable, competitively priced wholesale

1 electricity from environmentally responsible facilities to utility customers across
2 the United States. Calpine is one of the nation's largest power producers.

3
4 Calpine has 92 power plants in operation, capable of delivering more than 26,500
5 MW of electricity to wholesale customers, with more than 3,000 employees. In
6 2004, Calpine's revenues were \$9.2 billion. Calpine is a fully integrated power
7 company committed to fulfilling the continuing need for clean, efficient, reliable
8 wholesale electricity in an environmentally responsible manner.

9
10 Calpine is headquartered in San Jose, California, with regional offices across the
11 country. Calpine's fleet of power plants serves a variety of wholesale electric
12 customers, including investor owned utilities, municipalities, cooperatives,
13 industrial companies and government institutions.

14
15 Calpine/NSE supports the development of stable, reliable and efficient markets
16 for power.

17
18 **Q. PLEASE DESCRIBE CALPINE'S INTEREST IN SOUTH CAROLINA.**

19 A. Calpine owns and operates two power plants in South Carolina; the Broad River
20 Energy Center, located in Cherokee County; and, the Columbia Energy Center,
21 located in Calhoun County. These two facilities centers combined are capable of
22 producing 1,500 MW of output and represent a capital investment of
23 approximately \$700 million by Calpine in South Carolina. Calpine employs 35

1 people at these two facilities, with a payroll of \$3 million in wages and benefits.

2 In 2004, these two facilities paid \$2 million in taxes.

3
4 **Q. WHO ARE NSE's AND CALPINES CUSTOMERS in SOUTH CAROLINA?**

5 A. NSE's customers include the major investor owned utilities, including Progress
6 Energy, Duke and South Carolina Electric and Gas; a power authority (Santee
7 Cooper); and municipalities. Many of these customers routinely transact in the
8 short-term energy market with Calpine, at commercial terms that are beneficial to
9 their ratepayers. Several of these customers voluntarily issue competitive
10 capacity solicitations; however, due to the absence of a formal required
11 competitive wholesale procurement process, capacity transactions are not fully
12 utilized. The benefits to ratepayers that could result from the evaluation and
13 selection of capacity from the market are not fully realized.

14
15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

16 A. The purpose of my testimony is to provide NSE's perspective, as an independent
17 power producer (IPP), on: i) the importance to South Carolina electric ratepayers
18 of a fair and transparent competitive wholesale electric power procurement
19 process for capacity and energy; ii) why and how the RFP process in South
20 Carolina could be implemented to encourage and foster competition to the
21 benefit of South Carolina ratepayers; and, iii) NSE's willingness to participate in
22 the development of a fair and transparent competitive wholesale procurement
23 process.

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**Q. HAS CALPINE HAD EXPERIENCE IN COMPETITIVE WHOLESALE
PROCUREMENT PROCESS?**

A. Yes, Calpine has participated in competitive wholesale procurement solicitations for more than ten years and has significant experience with the process. In 2004 alone, Calpine has provided 183 responses to RFPs in more 34 states around the nation. These RFP responses total in excess of 27,000 MW offered, with an average size of 157 MW and on average term of 71 months. In 2002 - 2004 alone, Calpine has provided 26 responses to RFPs in the Southeast. These RFP responses total in excess of 8400 MW offered, with an average size of 326 MW and on average term of 107 months.

The insights we have gained regarding competitive wholesale procurement through our first hand experiences would be helpful to the Commission as it considers adopting a competitive wholesale procurement process in South Carolina. Calpine's experience with competitive wholesale procurement processes has shown that the quality and quantity of the offers provided in response to RFPs (and thus the resulting benefit to ratepayers) is directly proportional to the confidence the participants have that the process is being conducted openly and fairly.

**Q. PLEASE BRIEFLY DESCRIBE NSE/CALPINE'S EXPERIENCE WITH
COMPETITIVE ENERGY PROCUREMENT ISSUES.**

1 A. Calpine has taken a strong interest in the issue of the evolution of competitive
2 wholesale electric power procurement processes for capacity and energy in
3 various jurisdictions across the United States. Calpine has participated in
4 competitive procurement proceedings in the states of Florida, Illinois, Louisiana,
5 Wisconsin, Georgia, California, Oregon, Utah, Oklahoma, Arizona, Nevada,
6 Washington, Arkansas and Ohio.

7
8 **Q. HOW IMPORTANT IS THE PERCEPTION OF “FAIRNESS” TO**
9 **PARTICIPANTS IN THE COMPETITIVE WHOLESALE PROCUREMENT**
10 **PROCESS?**

11 A. It is critically important to the competitive wholesale marketplace, and to the
12 development of supply-side resources that will serve that market, that fair and
13 meaningful standards for long-term utility capacity resource procurement are
14 established and enforced. A high degree of confidence must be developed and
15 maintained in the fairness of the competitive procurement process to insure a
16 robust response from the market. A fair and transparent process must ensure
17 that all benefits and risks to ratepayers associated with each supply option are
18 fully evaluated. A robust competitive market will provide the regulators and
19 ratepayers with the most economic power supply. Confidence in the integrity of
20 the competitive procurement process is crucial for that process to produce
21 tangible benefits for ratepayers. A robust market requires many competitors, and
22 a high degree of confidence in the process will encourage participants to
23 prudently make the substantial investment of resources necessary to participate

1 in the market. The credibility derived from a fair process is essential to attract as
2 many participants as possible; more participants means increased competition,
3 which results in more cost-effective offerings, which in turn provides direct
4 tangible benefits to ratepayers.

5
6 **Q. WOULD A COMPETITIVE WHOLESALE PROCUREMENT PROCESS**
7 **BENEFIT RATEPAYERS AND/OR REGULATORS?**

8 A. Yes, such a process would provide significant benefits to both ratepayers and
9 regulators. More competition encouraged by a fair and transparent competitive
10 wholesale procurement process will yield the lowest possible costs to ratepayers
11 and serve the public interest. Ratepayers benefit as the process will ensure that
12 they get the best deal because the purchasing utility will select and procure the
13 most reliable and cost-effective wholesale power supply option to serve their
14 customers. Ratepayers will pay for the capacity supply option chosen as most
15 beneficial by the utility whether such supply is from the market or provided by a
16 self-build alternative. Even in the event the utility selects its self-build option, the
17 competitive pressure from a competitive wholesale procurement process will lead
18 to lower overall costs. In either case, regulators will benefit by having a
19 transparent process and open record showing the alternatives that were
20 evaluated and that the best (cost effective, reliable, environmentally
21 advantageous) offering was selected.

1 **Q. WHAT SHOULD BE THE OVERRIDING CONCERN WITH RESPECT TO**
2 **DEVELOPING A COMPETITIVE PROCUREMENT PROCESS?**

3 A. In conducting competitive procurements, the overriding goal is to get the best
4 deal possible for the ratepayer in terms of price, risk, reliability and environmental
5 performance. The key to a fair process is that *all* benefits and *all* risks of *all*
6 options, including the utility self-build, if such an alternative is offered, must be
7 evaluated equally. When an IPP, like Calpine, builds a facility and a utility,
8 through a competitive wholesale procurement process, decides to contract for
9 wholesale capacity with that IPP, the utility and its ratepayers realize several
10 benefits. These benefits include: i) ratepayers are guaranteed a “not-to-exceed”
11 capacity cost; ii) ratepayers are guaranteed immunity from cost and schedule
12 overruns associated with construction; iii) ratepayers are assured the power plant
13 will meet guaranteed efficiency and fuel consumption requirements; iv)
14 ratepayers are guaranteed power plant availability; and v) both the ratepayers
15 and the utility benefit from the flexibility of the duration of power purchase
16 agreement, providing the utility an interim supply of capacity and the ability to
17 delay a self-build decision in a time of uncertain future risks, for example
18 environmental risks associated with CO or mercury. Additionally, including
19 capacity purchases from the market in a utility’s supply portfolio will diversify the
20 costs and risks for the utility and its ratepayers.

21
22 **Q. SHOULD SOUTH CAROLINA ADOPT A COMPETITIVE WHOLESALE**
23 **PROCUREMENT PROCESS?**

1
2 A. Yes, to assure that the ratepayers of the state realize the benefit of the
3 competition in wholesale power supply from power generation facilities existing
4 within their state and from the development of new facilities. South Carolina is in
5 an excellent position to evaluate what has worked well in neighboring states, and
6 to use these other state's experiences to determine how to structure a fair and
7 open process that will result in benefits to South Carolina ratepayers. The
8 competitive wholesale procurement process has been around in neighboring
9 states for several years. Several of the characteristics of other processes that
10 work well include: i) issuance of a draft RFP and an opportunity for all
11 participants to comment on and receive clarification on select areas before the
12 final RFP is issued (GA); ii) the opportunity to raise issues to the Commission for
13 resolution prior to the issuance of the final RFP (FL); iii) the application of an
14 independent evaluator (GA); iv) the requirement that the terms of the selected
15 supply option, whether from the market or a self-build, sets a limit for the utility's
16 recovery of the associated costs from its ratepayers (FL).

17
18 **Q. WOULD NSE BE WILLING TO PARTICIPATE WITH THE COMMISSION AND**
19 **OTHERS IN THE DEVELOPMENT OF A COMPETITIVE WHOLESALE**
20 **PROCUREMENT PROCESS IN THE STATE OF SOUTH CAROLINA?**

21 A. YES.

1 Q. WOULD NSE PARTICIPATE IN COMPETITIVE WHOLESALE
2 PROCUREMENT SOLICITATIONS IN THE STATE OF SOUTH CAROLINA
3 PROVIDED SUCH SOLICITATIONS ARE PERFORMED IN ACCORDANCE
4 WITH A FORMAL, REQUIRED, FAIR AND TRANSPARENT COMPETITIVE
5 WHOLESALE PROCUREMENT PROCESS?

6 A. YES.

7

8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes.

TIMOTHY R. EVES
NEWSOUTH ENERGY, LLC
191 PEACHTREE STREET, NE, SUITE 3800
ATLANTA, GA 30303
(404) 461-5025
TIME@NEWSOUTHENERGY.COM

EXPERIENCE

12/04-PRESENT **NEWSOUTH ENERGY, LLC (A CALPINE COMPANY)**
VICE PRESIDENT – MARKETING & SALES – SOUTHEAST

Responsible for long term origination activities associated with Calpine's fleet of energy centers located in the SERC and FRCC NERC Regions, including participation in RFP preparation, submittal and negotiation activities. Also responsible for the marketing and sales of Calpine Services across the SE.

10/02-12/04 **CALPINE CORPORATION**
VICE PRESIDENT – MARKETING & SALES – SOUTHEAST

Responsible for long term origination activities associated with Calpine's fleet of energy centers located in the SERC and FRCC NERC Regions, including participation in RFP preparation, submittal and negotiation activities. Also responsible for the marketing and sales of Calpine Services across the SE.

10/99-10/02 **CALPINE CORPORATION**
DIRECTOR BUSINESS DEVELOPMENT

Responsible for Calpine's Florida project development activities, including: identification of greenfield and acquisition opportunities; identification of water sources; communications with counties, cities and other local organizations; Florida state and local governmental and regulatory activities; coordination with permitting, engineering, marketing and financing activities, and coordination with power marketing activities.

6/98-10/99 **BBI POWER CORPORATION**
SENIOR VICE PRESIDENT

Responsible for world-wide project development activities, including: project identification; joint venture partner identification and negotiation of agreements; determination of plant

configuration; pro forma analysis; preparation of proposal for and negotiation of PPA and steam supply contracts; permitting and financing. Project activity on the Indian subcontinent, Eastern Europe, the Mid East, Caribbean and the United States.

6/79-6/98

**WESTINGHOUSE ELECTRIC CORPORATION
POWER GENERATION DIVISIONS**

RESPONSIBILITIES PRIMARILY FOCUSED ON THE SALE OF POWER GENERATION EQUIPMENT AND SERVICES, INCLUDING PROPOSAL PREPARATION AND CONTRACT NEGOTIATION. POSITIONS INCLUDED:

DIRECTOR, INTERNATIONAL MARKETING – Eastern Europe, the Mid East and the Indian subcontinent;

MANAGER, DOMESTIC MARKETING – Southeastern U.S. and Latin America.

REGIONAL MARKETING MANAGER – Independent Power Producer Market.

SPECIAL SALES REPRESENTATIVE – Responsible for sale of complete line of Westinghouse generation products and services to Florida utilities.

VARIOUS OTHER MARKETING AND SALES SUPPORT POSITIONS

EDUCATION

1979 BACHELOR OF MECHANICAL ENGINEERING
 Emphasis in Power Generation
 UNIVERSITY OF DETROIT
 Detroit, Michigan

1983 MASTER OF BUSINESS ADMINISTRATION
 WIDENER UNIVERSITY/ROLLINS COLLEGE
 Chester, Pennsylvania/Orlando, Florida

1988 JURIS DOCTORATE
 UNIVERSITY OF MIAMI
 Miami, Florida

Member of the Florida Bar